

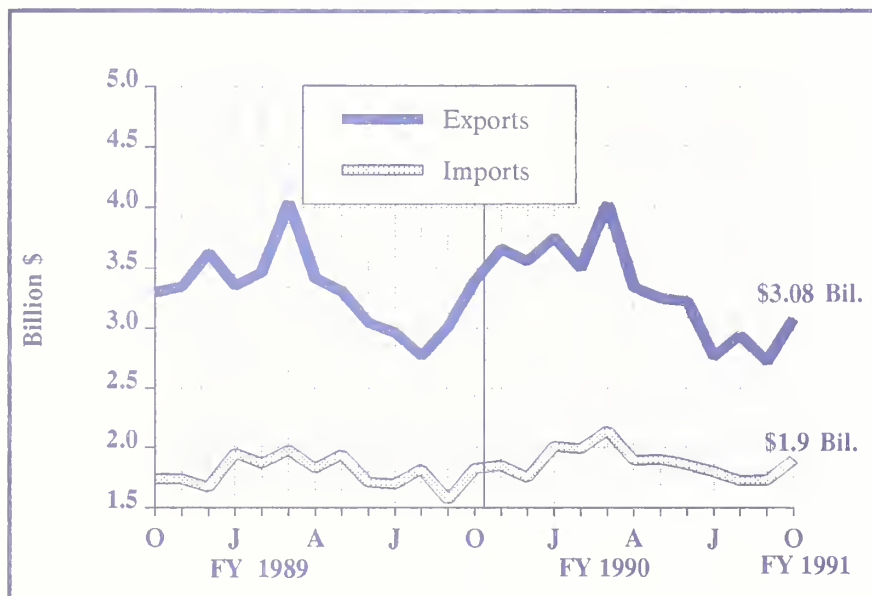
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# AGRICULTURAL TRADE HIGHLIGHTS

## Lower Grain and Soybean Sales Lead October Export Drop



The October trade report released on December 18 by the Commerce Department revealed that overall agricultural exports totaled \$3.08 billion. This was up 13 percent from September, but down 9 percent from strong year-ago export levels. Most of the decline from year ago levels is due to weakening in bulk commodity exports such as soybeans, corn, and wheat. While the value of exports declined 9 percent, volume dropped 24 percent to 9.3 million tons. Imports totaled \$1.9 billion, up 5 percent from a year ago and 11 percent from September.

Broad declines in bulk commodities more than offset increases in some high value products. Wheat exports fell 32 percent from year-ago levels (to \$268 million) on only a 7-percent decline in volume. Soybeans

declined by 57 percent (to \$194 million), while corn was off by 37 percent (to \$301 million). Soybean and corn reductions were related to decreased volume, while lower prices depressed values of wheat. Horticultural products was one of the few bright spots for October, posting a 36-percent increase to \$587 million. Much of this was due to higher fresh fruit and vegetable exports.

Export performance with our top 10 trading partners for October was largely down, with only three gaining from last year. Markets showing increases included Canada (up \$163 million, due partially to differences in statistical reporting methods), Hong Kong (up \$2.6 million), and Saudi Arabia (up \$27 million). Declines were far more significant with Mexico down \$100 mil-

lion, Japan down \$60 million, Taiwan down \$55 million, Korea down \$50 million, Egypt down \$44 million, the EC down \$38 million, and China down \$31 million. A dramatic decline in exports to the Soviet Union (down more than 80 percent) dropped the USSR out of the top ten with sales totaling only \$18 million. Much of this reduction is attributable to a sharp drop in grain sales.

October trade figures mark the beginning of the 1991 fiscal year. Initial USDA estimates put fiscal 1991 agricultural exports at \$38.5 billion, down \$1.6 billion from fiscal 1990's final trade figures, and would be the first decline since fiscal 1986. Export volume is expected to fall as well, down 9 million tons from fiscal 1990 levels. Lower wheat prices account for much of the decline in projected export value while reduced corn exports are chiefly responsible for the drop in volume.

### Inside This Issue...

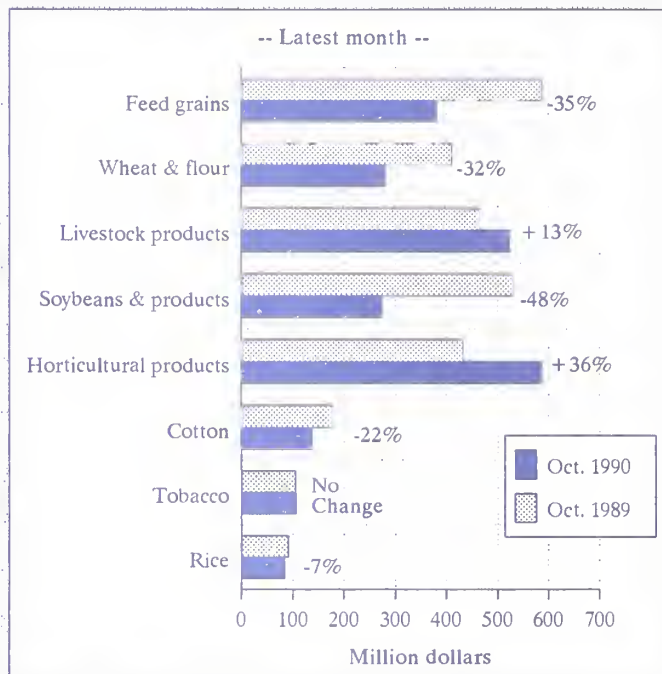
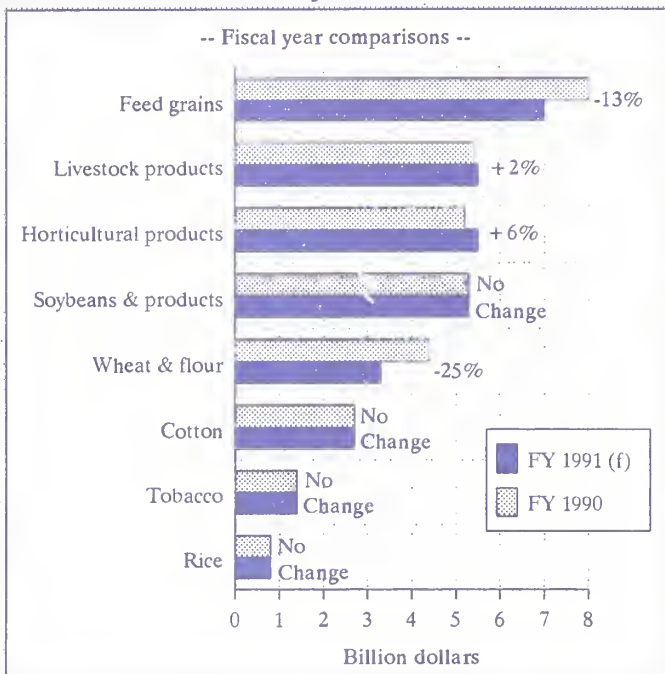
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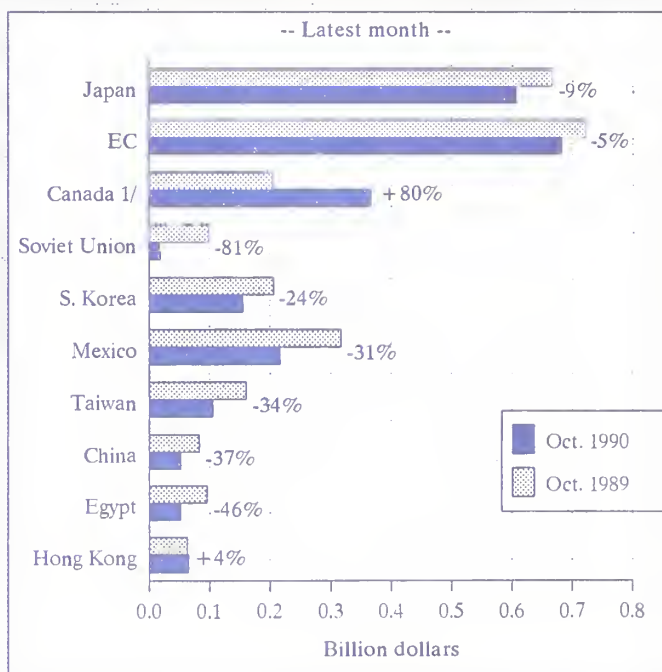
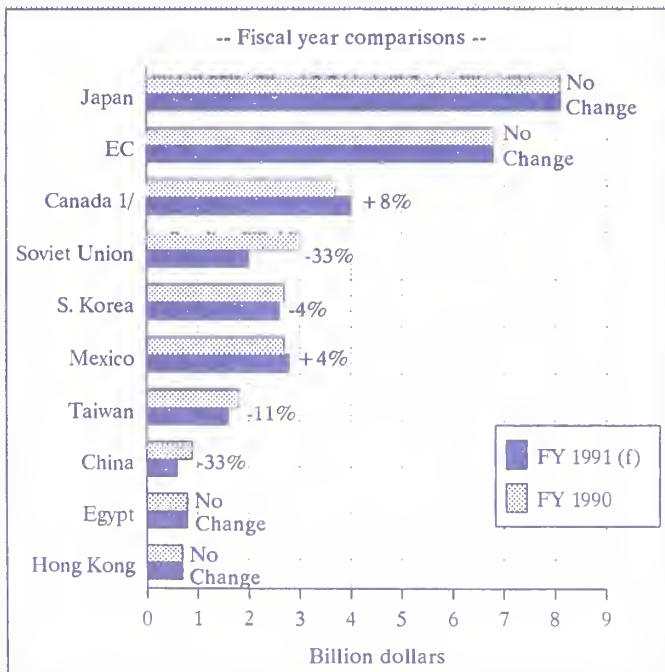
# U.S. Agricultural Export Summaries

Fiscal Year Comparisons and Latest Month

## Product Summary



## Top Ten Markets Summary



Note: Percentages are computed as the change from a year ago.

1/ U.S. agricultural exports to Canada have been under-reported in past years by about \$1 billion a year and officially recognized by both Governments. Effective January 1990, the U.S. Bureau of the Census began adjusting U.S. export statistics to account for these differences.



# Commodity Highlights

*Most export product categories recorded a decline in sales during October, resulting in an overall value decline of 9 percent from strong year-ago levels. Bulk exports led the declines, with grains dropping \$332 million and soybeans off \$258 million. Horticultural products and wood products were the only categories to experience gains.*

**W**heat and flour sales in October started off the fiscal year sluggishly, declining 32 percent in value and 6 percent in volume from October 1989. A significant drop in exports to Egypt, the fourth largest market for wheat and wheat flour, was the major factor in the volume decline. Substantially lower prices brought on by record world production are forecast to drop export value in fiscal 1991 about \$1.1 billion below fiscal 1990.

Significant declines in corn and grain sorghum sales in October reduced the export value and volume of *feed grains* by 35 percent from last year to \$382 million and 3.5 million tons. Half of the \$205-million decline came from the two largest markets, Japan and Mexico, which experienced declines of 25 and 55 percent respectively. For fiscal 1991, substantially reduced import demand from the Soviet Union and Mexico has the feed grains forecast down 9.2 million tons from fiscal 1990.

Rice exports declined 7-percent in value in October, to \$85 million. However, the volume of exports increased by a modest 2 percent, to 284,000 tons. The loss of the Iraqi rice market (due to the recent embargo) was the primary reason for the drop in overall U.S. exports. However, this decrease was nearly offset by increases to the Ivory Coast, Saudi Arabia, and Canada. At \$800 million, the forecast for rice in fiscal 1991 bears close resemblance

to the final fiscal 1990 figure of \$830 million. The volume of exports is forecast to slip by 100,000 tons due to higher world production prospects.

A significant decrease in exports to major markets such as the EC (down 53 percent to \$102 million), Taiwan (down \$71 percent to \$16 million), and Japan (down 32 percent to \$54 million) led to a disappointing month for soybeans. Overall, *soybeans and products* declined 48 percent in October from year-ago levels, to \$275 million. This is primarily the result of a 60 percent decline in soybean volume, to 810,000 tons. With world oilseed production for 1990/91 forecast at a record 216.4 million tons, and lower import demand prospects in major markets, U.S. exports of soybeans and products for fiscal 1991 are forecast to drop 150,000 tons. However, slightly higher prices will leave export value nearly unchanged at \$5.3 billion.

For the second month in a row, U.S. *cotton* sales were below year-ago levels. At \$183 million and 115,000 tons, exports decreased \$32 million and 44,000 tons below October 1989. Nearly half of this decline came from reduced sales to the EC, down 42 percent to \$14.9 million. Despite prospects for higher cotton production, slightly lower exports are projected for fiscal 1991, the result of low carryin stocks and increased domestic use.

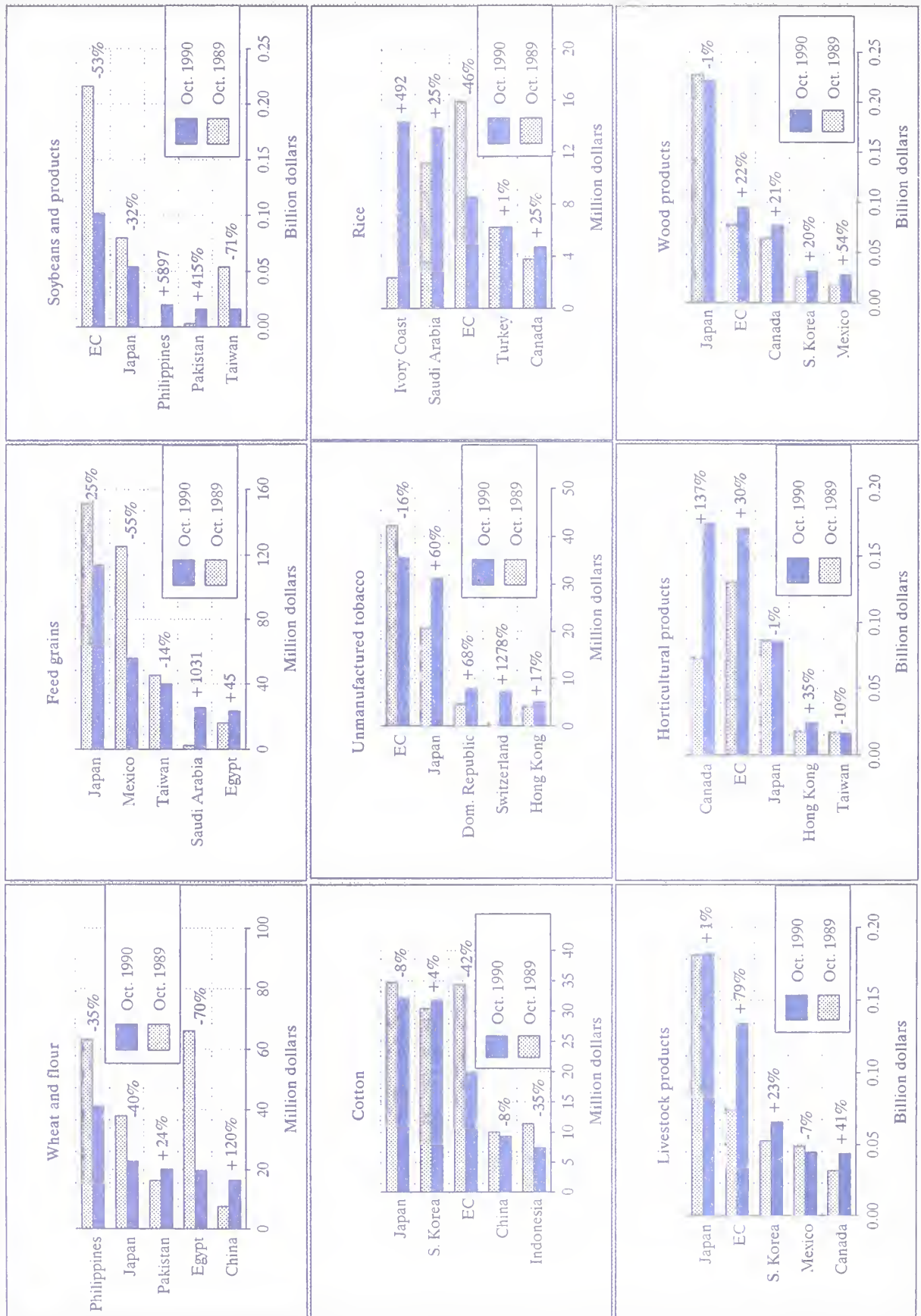
The value of *unmanufactured tobacco* exports was unchanged from year-ago figures at \$106 million, while volume was down 17 percent, totaling 15,000 tons. Dramatic increases in exports to Switzerland (up twelve-fold to \$7 million), the Dominican Republic (up 68 percent to \$8 million), and Japan (up 60 percent to \$33 million) were offset by a decrease to the EC (down 16 percent to \$35 million). Forecasts for tobacco in fiscal 1991 are projected at \$1.4 billion and 200,000 tons, unchanged from 1990's levels.

One of the bright spots in October exports came from livestock product sales, which grew 13 percent to \$525 million. *Beef and veal* exports fueled this growth, increasing 20 percent to \$143 million. The leading markets in October were Japan, the EC, and South Korea. The forecast for fiscal 1991 of \$5.5 billion shows livestock products slightly ahead of fiscal 1989, as increases in sales to Japan and Korea are expected to more than offset lower expected sales to the EC.

*Horticultural products* continued their growth in October, rising to \$586 million, a 36-percent increase over last year. Most of this growth came from fresh fruits and vegetables. Canada continues to register the largest increases in horticultural products, mainly due to the changes in statistical reporting methods. Exports are forecast to reach a new record of \$5.5 billion in fiscal 1991, \$300 million more than fiscal 1990's record \$5.2 billion.

Reaching \$586 million, *wood product* sales were up \$155 million from a year ago. Of the top five major markets, Japan (the largest) was the only one to experience a decline, down 2 percent to \$221 million.

# Top Five Markets for Major U.S. Commodities October Comparisons



Note: Percentages are computed as the change from fiscal 1989 to fiscal 1990.

# Country Spotlight: China



With more than one-fifth of the world's population living in China, the country is a huge consumer of food. Insufficient Chinese production in selected commodities and the country's growing industrial sector have created several large niches for U.S. agricultural exports.

U.S. agricultural exporters exploited these market opportunities during the 1980's as agricultural exports grew from \$83 million in fiscal 1986 to a high of \$1.5 billion in 1989. Major commodities exported to China during this period included wheat, cotton, oilseeds and oilseed products, and poultry products. The Export Enhancement Program and other market incentives aided this growth.

Despite a substantial drop in U.S. exports in fiscal 1990, China remained as the eighth largest im-

porter of U.S. agricultural products. U.S. agricultural exports totaled nearly \$909 million in 1990, \$600 million below 1989's level. An excellent Chinese wheat harvest led to a drop in U.S. wheat exports from a record \$1.2 billion in 1989 to \$544 million in 1990.

Substantial gains in exports were recorded for cotton, up 24 percent to \$292 million. Sales of U.S. corn were \$49 million in 1990 after no corn was sold in 1989. Exports of wood products, which are recorded as non-agricultural products, were \$170 million in 1990 and \$239 million in 1989.

The outlook for U.S. agricultural exports to China in 1991 is pessimistic. According to USDA projections, U.S. agricultural exports are forecast to decline to \$600 million, down by \$309 million from 1990. Wheat sales will be hard-hit by the record Chinese harvest. In addition, China is not expected to import any U.S. corn in 1991.

Cotton sales are expected to be a bright spot for U.S. exporters, as U.S. exports are forecast to increase for the fifth consecutive year. Higher sales of both cattle hides and poultry products are also projected.

The objective of Chinese trade policy has been to reduce the country's trade deficit. Agricultural reforms initiated more than 10 years ago have enabled China to reduce its reliance on agricultural imports. These policies have provided high commodity prices and subsidized inputs to boost production.

Centralized trading corporations manage China's agricultural imports. Its basic trade policy is to encourage the importation of raw products that are processed and exported. Foreign products that improve technology like breeding stock and new varieties of seeds are also welcomed, while higher value goods like poultry meat are limited. Administrative rules, import bans, state trading, and import licensing are the methods of controlling imports.

In spite of these policy limitations, the longer term outlook for U.S. agricultural exports to China is bright. Food consumption will continue to increase, as the country's population is expected to reach nearly 1.3 billion by the year 2000. With a limited amount of arable land and slow growth in agricultural productivity, China's agricultural sector will face difficult production decisions.

Analysts expect that U.S. exports of wheat and cotton will be strong over the long-run. Exports of wood products should also be large, especially if China attains the double-digit growth rates in income, as it did during much of the 1980's. Market potential also exists in the feed grains sector. China's limited acreage will be unable to support the on-going expansion in the domestic livestock industry, unless the production of other crops is reduced.

*For more information, contact Ron Croushorn, (202) 382-9148.*

## U.S. Economic Sanctions

Following the Tiananmen crackdown, the U.S. Government imposed economic sanctions against China. These sanctions prohibit the sale of U.S. military equipment to China. Items that are usable for both military and non-military purposes are monitored and restricted if necessary. Agricultural trade with China is not affected by the sanctions. Concerning the World Bank and International Monetary Fund, the U.S. Government opposes any new loans to China from these organizations that are not for basic humanitarian needs.

The volatile political situation in 1989 that exploded at Tiananmen contributed to reduced foreign exchange earnings. Tourism was hard hit as the number of arriving tourists declined by 23 percent in 1989. The inflow of credit and foreign investment also fell. These financial flows have been slow to recover in 1990.



# Agricultural Imports Advance to \$1.9 Billion, Gains Concentrated in Competitive Products

October's trade figures showed U.S. agricultural imports rising to \$1.9 billion, up \$100 million (5 percent) from a year ago and almost \$200 million above the September figure. Following the trend seen during most of last fiscal year, competitive imports at \$1.5 billion continue to rise, increasing 12 percent, while noncompetitive imports slipped 13 percent to \$450 million.

In the competitive product category, the most notable increases during October were in pork and products, fruit and juices, and beef and veal. Last year, all three of these product groups showed significant import gains over the previous year, so October's performance appears to be a continuation of this growth.

Pork imports surged 44 percent from year ago-levels to \$91 million. Much of this increase was in the fresh and frozen category, which was up

*At \$1.47 billion, competitive imports continue to expand.*

63 percent to \$50 million. Canada and the EC dominate the U.S. pork and product import market, accounting for 84 percent of total imports with the Canadians supplying 76 percent of the fresh/frozen market, and the EC providing 51 percent of all processed pork.

Imports of fruits (including juices) increased 15 percent to \$140 million. The advance was widespread with fruit juices (other than orange juice) growing 35 percent (to \$26 million), and fresh citrus increasing by 76 percent to \$2 million. There were no notable decreases in any significant category.

Beef and veal imports showed a gain of 11 percent (to \$156 million), due primarily to an 18-percent rise in

fresh or frozen beef, while the processed product declined 28 percent. Australia and New Zealand are the primary suppliers accounting for about two-thirds or \$100 million of the total.

Noncompetitive imports during October totaled \$450 million, up 8 percent from September but down 13 percent from last October. The decline from year-ago levels is due mainly to a 30-percent drop in rubber/allied gums and a 23-percent reduction in coffee and products. Most of the decline in rubber was due to lower import volume, off 50 percent from year-ago levels, with some of the sharpest losses coming in purchases from Malaysia and Indonesia. The decline in imports of coffee is almost entirely due to lower prices, as the volume of imports is virtually unchanged. However, imports have risen from Central American countries (plus Colombia and Venezuela) at the expense of virtually all other sources.

On November 27, the USDA issued its first import forecast for fiscal 1991. The Department expects overall imports to fall for the first time in 4 years, to \$22 billion, down \$500 million from last year. This is largely the result of lower expected fruit and vegetable imports which were unusually large last year following destructive freezes in Texas and Florida.

For more information, contact Tom St. Clair, (202)382-9521

*Noncompetitive imports do not compete with U.S. production and include: bananas/plantains, coffee (incl. processed), cocoa (incl. processed), rubber/allied gums, spices, essential oils, tea, and carpet wools.*

## U.S. Agricultural Imports by Major Product Sector

October 1990 Versus Month-ago and Year-ago

Import Category	Oct 1990	Month Ago	Year Ago	% Change From	
				Sep '90	Oct '89
	-- Million \$ --				
Total competitive	1,470	1,312	1,309	12%	12%
Fruits, incl. juices	140	152	122	-8%	15%
Wines & beer	207	150	191	38%	8%
Vegetables	139	112	142	24%	-2%
Beef & veal	156	155	141	1%	11%
Dairy/poultry	84	78	100	8%	-16%
Pork	91	75	63	21%	44%
Total noncompetitive	451	417	516	8%	-13%
Coffee & products	163	122	212	34%	-23%
Cocoa & products	84	78	85	8%	-1%
Bananas/plantains	85	73	79	16%	8%
Rubber/allied gums	47	72	67	-35%	-30%
Spices	20	24	19	-17%	5%
Tea	11	10	12	10%	-8%
Total agri. imports	1,922	1,728	1,825	11%	5%

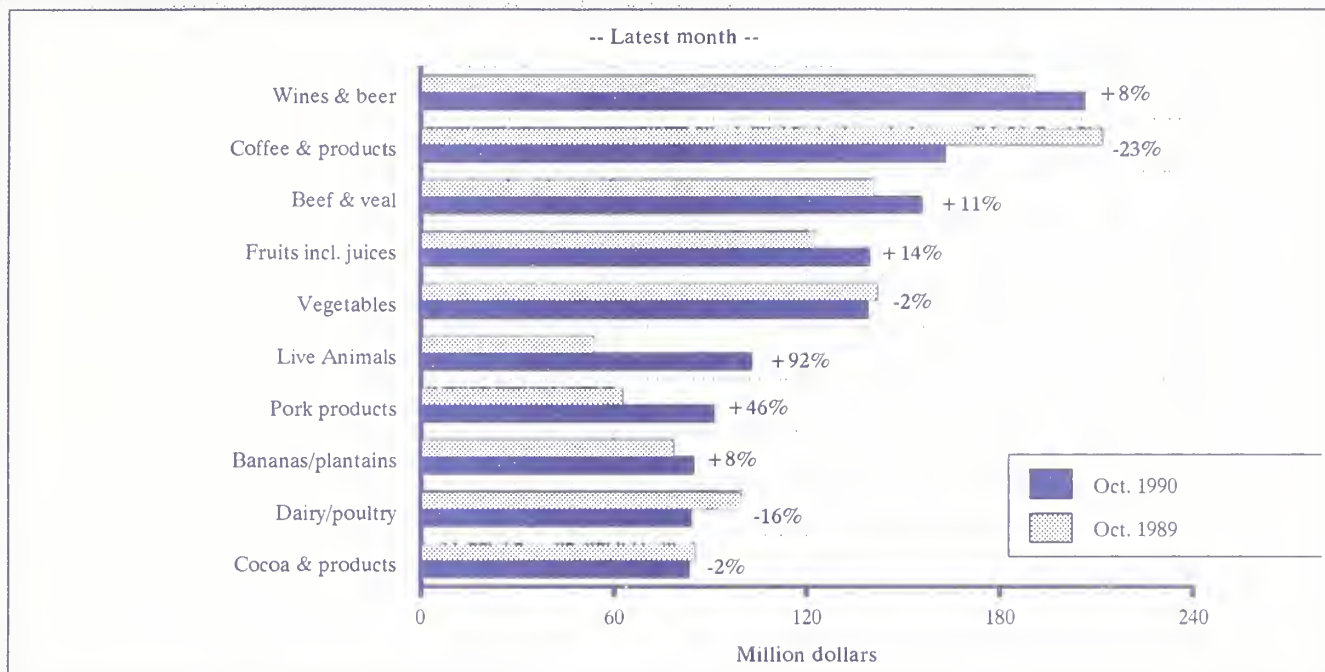
Source: Commodity Trade Analysis Branch, Economic Research Service.



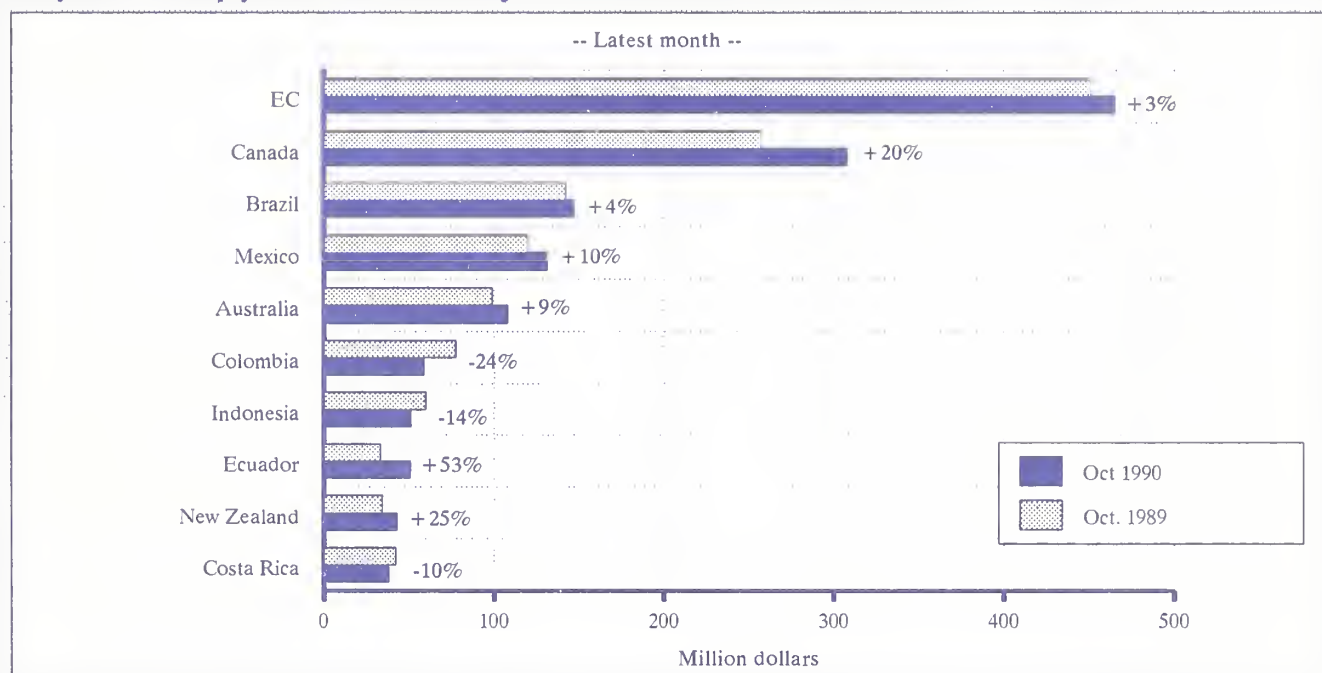
# U.S. Agricultural Import Summaries

## October Comparisons

### Product Summary



### Top Ten Suppliers Summary



Note: Percentages are computed as the change from a year ago.

# World Food Price Survey for November: Brasilia Retail Prices Lowest of Capitals Surveyed

Travelers looking for a bargain this year should consider Brasilia. According to a retail food price survey taken in November by the Foreign Agricultural Service (FAS), prices in Brasilia are the lowest among the 18 world capitals surveyed. At \$27, Brasilia's total for the 15-item market basket was easily the lowest priced, with the next lowest being Mexico City at \$35. On the other hand, Tokyo widened its lead of the highest priced cities with the same market basket costing \$149, \$27 higher than Bern, the second costliest city.

The declining value of the U.S. dollar was the major factor behind the dollar-denominated increases in many of the capitals surveyed such as Bern, Paris, Madrid, Singapore, and Stockholm. The largest percentage increase occurred in Buenos Aires, where the surveyed products increased 59 percent in U.S. dollars, followed by London (36 percent) and

*Tokyo widened its lead as the highest priced city.*

Tokyo (27 percent). Higher priced sirloin steak, apples, and potatoes contributed to the higher food bill in Buenos Aires. The capital continues to have a very high food inflation rate which has considerably outpaced currency devaluations, resulting in a higher dollar expenditure on food. A large increase in pork prices was the main factor for increases in London. In Tokyo, higher prices for eggs, cheese, and cooking oil helped raise the price of food in the local currency, while the increased value of the yen raised the dollar price. In Mexico City, higher priced flour, potatoes, rice, and cooking oil contributed to the increased prices.

Brasilia, Taipei, and Washington were the three cities which experienced a drop in the market basket price, with

declines of 20, 9, and 2 percent, respectively. The large decline in Brasilia resulted from a 55-percent appreciation of the dollar against the cruzeiro. In Taipei, a 3-percent appreciation of the new Taiwan dollar plus a 6-percent decrease in domestic prices helped to lower the dollar priced basket of goods. The price decline in Washington was a much smaller 2 percent, and came from lowered prices for potatoes, rice, apples, and oranges.

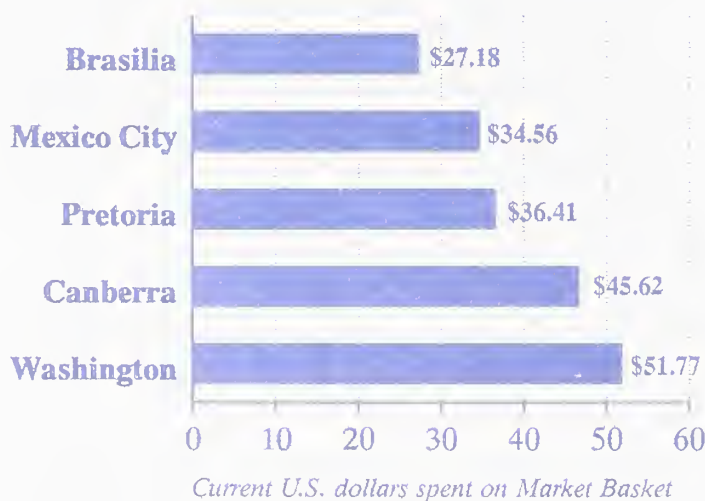
Buenos Aires, Seoul, Mexico City, and Pretoria topped the list of the capital cities where the greatest percentage of average weekly income was spent on food items. In each of these locations, the cost of the Western-style market basket was at least 75 percent of local weekly earnings. For comparison, in Canberra and Ottawa only 14 percent, and in Washington only 13 percent of weekly income was spent on the same goods.

Each May and November, the world food price survey is taken by FAS attaches in 18 world capitals. The price recorded for each item is the average retail price collected from a sample of local supermarkets. This price information makes comparison of like commodity prices possible for different countries.

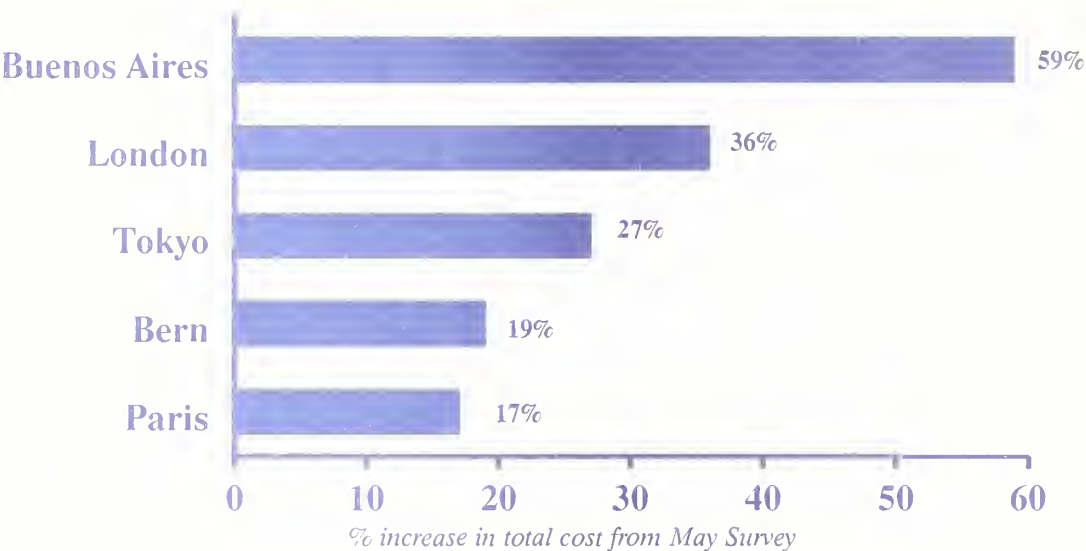
For more information, contact Kelly Kirby at (202) 382-1034.

**Note:** In those capitals where currency black markets operate, the true cost of the sampled food items cannot accurately be measured because only official exchange rates are used for those countries. Since black-market rates for the dollar are higher than official rates, dollar-denominated prices in those capitals will be lower than those cited above.

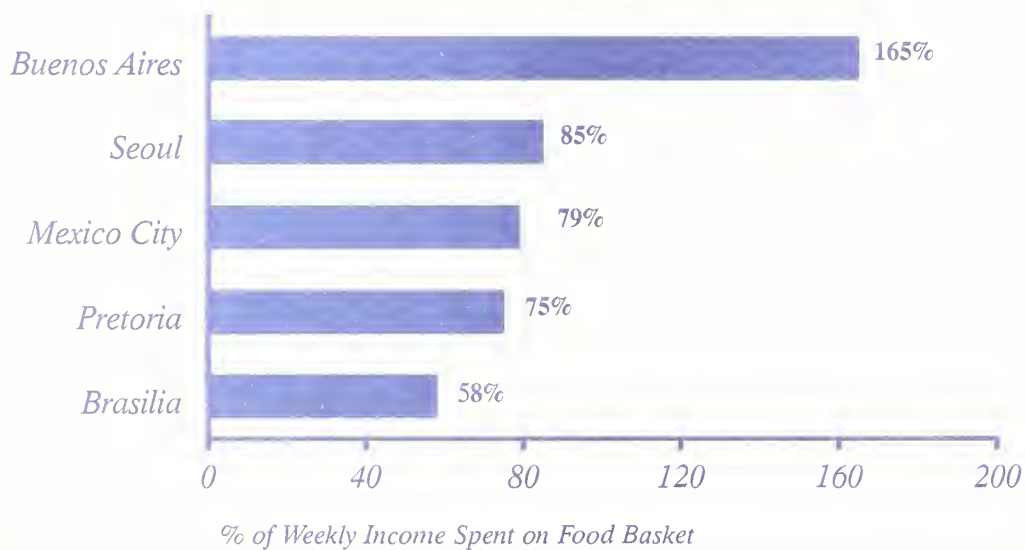
## Least Expensive Capitals for Food: A Mix of Developed and Developing Countries



# Developed Countries Have Highest Increase in Food Prices From May 1990



# But Developing Countries Still Spend More of Weekly Income on Food





# World Food Price Comparisons

## Current Prices in U.S. Dollars 1/

		Buenos					Mexico			
		Bern /2	Bonn	Brasilia	Aires	Canberra	London	Madrid	City	Ottawa
Steak, sirloin, boneless Pork, roast, boneless Broilers, whole Eggs, large Butter Cheese, Cheddar/Emmenthaler Milk, whole Oil, cooking Potatoes Apples Oranges Flour Rice Sugar Coffee	Kg	39.49	14.77	4.30	5.66	7.95	19.24	16.65	4.91	11.15
	Kg	14.72	7.41	4.52	8.49	3.85	15.43	9.68	6.91	7.88
	Kg	4.92	2.97	1.52	2.64	3.74	4.22	3.64	2.28	2.80
	Dozen	5.08	1.40	0.57	1.13	1.57	2.45	2.17	0.65	0.93
	Kg	14.31	5.13	2.87	6.98	3.03	5.02	11.87	3.08	5.13
	Kg	15.23	10.27	4.52	12.26	4.82	6.25	13.94	6.18	10.03
	Liter	1.41	0.81	0.75	0.96	0.69	0.96	1.00	0.40	1.27
	Liter	3.86	1.17	0.71	2.55	1.73	1.86	2.01	0.97	1.81
	Kg	0.93	0.54	0.78	0.94	0.69	0.73	0.60	0.54	0.74
	Kg	2.55	2.01	1.97	3.02	1.46	2.98	1.70	1.66	1.86
	Kg	2.00	1.97	0.26	1.47	1.51	2.33	1.36	0.59	1.40
	Kg	1.51	0.62	0.48	0.79	1.08	0.65	0.99	0.45	1.03
	Kg	2.92	2.48	0.78	2.13	0.97	1.82	2.19	0.73	1.95
	Kg	1.32	1.28	0.26	0.74	0.81	1.25	1.34	0.50	0.38
	Kg	11.78	10.74	2.89	7.36	11.72	9.63	7.86	4.72	7.41
	Total November 1990		122.03	63.56	27.18	57.13	45.62	74.82	77.00	34.56
% change from May 1990 in U.S. dollars		19%	9%	-20%	59%	3%	36%	11%	2%	2%
% change from May 1990 in local currency		3%	-1%	76%	65%	2%	16%	0%	5%	1%
% difference from Washington prices		136%	23%	-48%	10%	-12%	45%	49%	-33%	8%
Average Weekly Income 3/		\$505	\$375	\$47	\$35	\$319	\$281	\$184	\$44	\$400

1/ Exchange rates used are those in effect when survey was conducted.

2/ Survey conducted in September 1990.

3/ Weekly income is based on EIU country figures for 1989 per capita GDP in current U.S. dollars divided by 52.

# World Food Price Comparisons

## Current Prices in U.S. Dollars 1/

		Paris	Pretoria	Rome	Seoul	Singapore	Stockholm	Taipei/3	Tokyo	Washington D.C.
Steak, sirloin, boneless	Kg	16.43	5.50	16.16	21.43	17.00	28.07	20.15	59.24	10.56
Pork, roast, boneless	Kg	10.40	2.88	9.87	6.53	7.65	25.99	6.47	15.93	7.47
Broilers, whole	Kg	7.30	2.22	5.37	3.45	3.65	9.66	3.91	6.11	2.29
Eggs, large	Dozen	3.17	1.00	2.15	2.36	1.27	3.51	1.07	2.10	1.05
Butter	Kg	6.99	3.58	8.11	7.04	4.24	7.66	5.56	9.60	4.37
Cheese, Cheddar/Emmenthaler	Kg	9.70	4.98	10.48	11.49	13.74	11.68	8.50	10.53	9.17
Milk, whole	Liter	1.24	0.71	1.34	1.16	1.94	1.00	1.83	1.44	0.65
Oil, cooking	Liter	2.70	1.47	1.29	1.61	2.12	8.31	1.02	3.35	2.37
Potatoes	Kg	1.20	0.58	0.81	2.42	1.18	0.99	2.82	1.99	0.84
Apples	Kg	3.31	1.06	1.97	2.96	2.47	2.86	2.56	3.27	1.72
Oranges	Kg	1.36	0.57	1.97	1.76	1.56	1.60	0.85	3.42	1.32
Flour	Kg	1.30	0.69	0.72	0.44	1.00	1.50	1.05	1.43	0.62
Rice	Kg	2.61	1.08	1.89	1.96	0.76	3.15	1.34	2.76	1.23
Sugar	Kg	1.48	0.64	1.30	0.85	0.71	1.35	1.28	1.88	0.95
Coffee	Kg	10.92	9.46	8.87	15.37	14.06	8.72	12.89	26.41	7.16
Total November 1990		80.10	36.41	72.32	80.83	73.33	116.06	71.32	149.44	51.77
% change from May 1990 in U.S. dollars		17%	7%	4%	1%	11%	8%	-9%	27%	-2%
% change from May 1990 in local currency		5%	1%	-4%	3%	1%	0%	-6%	5%	
% difference from Washington prices		55%	-30%	40%	56%	42%	124%	38%	189%	0%
Average Weekly Income 2/		\$326	\$49	\$289	\$95	\$194	\$428	\$142	\$446	\$404

1/ Exchange rates used are those in effect when survey was conducted.

2/ Weekly income is based on EIU country figures for 1989 per capita GDP in current U.S. dollars divided by 52.

3/ Coffee price not available for November 1990. Price for November 1989 was substituted.

# Trade Policy Updates

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## Uruguay Round Update

The Uruguay Round negotiations under the General Agreement on Tariffs and Trade (GATT) were suspended on December 7, the last scheduled day of the planned wrap-up ministerial meeting in Brussels. Although the meeting was intended to bring the 4-year negotiation process to a conclusion with a final agreement on trade reform, Ministers were unable to resolve fundamental differences on several key areas. The most important stalemate was in the area of agriculture, in which the European Community, supported in part by Japan and Korea, stated that it was unable to work within the framework of a compromise draft agreement prepared by Swedish Minister of Agriculture Mats Hellstrom, who was chosen to chair the ministerial-level meetings on agriculture in Brussels. Other parties, including the United States, had indicated that, while the Hellstrom text was far from perfect, it was an acceptable basis for negotiation. With no significant chance of progress seen in the agriculture negotiations, the likelihood of successfully concluding negotiations in the 14 other negotiating groups was considered to be negligible. Thus, work in these areas, many of which were close to completion, has also been suspended. As the situation now stands, negotiations may be resumed in Geneva as early as January, but only if GATT Director-General Arthur Dunkel finds evidence that progress would be likely. Thus the fate of the Uruguay Round depends on whether the European Community is able to demonstrate enough negotiating flexibility on agriculture to satisfy other participants in the talks.

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## U.S. Grants Export Credits to The USSR

On December 12, 1990, President Bush decided to waive temporarily the free emigration requirements of the Jackson-Vanik Amendment to the 1974 Trade Act, thereby enabling the Soviet Union to purchase U.S. agricultural commodities using USDA credit guarantees. The announced credit guarantee package--up to \$1 billion--fulfills the request of the Soviet government. Terms and conditions of this credit guarantee package are to be discussed bilaterally. The President also proposed giving the Soviet Union medical supplies, expertise in food distribution, and other remedies for problems in the Soviet economy.

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## China Devalues Currency

On November 16, the Chinese government announced that it would devalue the yuan by about 10 percent from 4.71 to 5.22 yuan to the U.S. \$1.00. The United States is running a hefty trade deficit with China which is expected to reach \$11 billion in 1990, and the devaluation will make China's export products even cheaper. China currently has a two-tier currency system. In preparation for eventually joining the GATT, China reportedly intends to eventually adopt a convertible currency. The latest rate is said to be unofficially linked to the U.S. dollar as also is the practice with the currency of China's largest trading partner, Hong Kong. The yuan was most recently devalued 11 months ago by 21.2 percent against the dollar.

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## EC Postpones Decision on BST

The EC Committee for Veterinary Medicinal Products (CVMP) has deferred, until January, adoption of its opinion on the Monsanto application under Directive 87/22/EEC for SOMATECH (bovine somatotropin or BST). The postponement is intended to allow for further consideration of questions concerning the incidence of mastitis in cows treated with BST and of questions relating to adverse animal reactions at the site of injection.

BST is a genetically engineered duplication of bovine growth hormone which is used to increase milk production in cows. The Food and Drug Administration (FDA) has already given its okay on the safety of BST in products from treated animals for human consumption. However, FDA has yet to approve BST for commercial use pending judgments on animal health and environmental safety.



## ...Trade Policy Updates

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### **Two File Section 301 Petition Against the EC**

The National Pork Producers Council (NPPC) and the American Meat Institute (AMI) have filed a Section 301 petition against the European Community (EC) in response to the EC's de-listing of U.S. slaughter plants. The EC Third Country Meat Directive (TCMD) prohibits imports of meat from third countries unless prescribed production methods are followed according to EC standards. The United States and the EC have held consultations under GATT Articles XXIII but have yet to reach a satisfactory agreement.

### **EC Adopts Package For Andean Countries**

On October 29, the EC Council adopted a package of trade concessions and financing measures to help Colombia, Peru, Bolivia, and Ecuador in their battle against drug production and trafficking. The trade concessions include exemption from customs duties on Andean exports such as cut flowers, coffee, cocoa, and fishery products for a period of 4 years. The package also includes a grant of 60 million ECU (US\$81 million) to be given to Colombia over 4 years to assist in economic development.

### **Section 301 Cigarette Investigation Against Thailand is Terminated**

Through an exchange of letters, the U.S. Trade Representative and the Thai Minister of Commerce have agreed to terms relating to Thailand's implementation of policies with respect to the importation, distribution, pricing, taxation, promotion, and labeling of foreign cigarettes in Thailand. This prompted the U.S. Trade Representative on November 23 to terminate the investigation, under U.S. trade law, of Thailand's policies and practices relating to market access for foreign cigarettes.

### **Japan Looks at Trade Policy Impact of Food Safety Issues**

The first U.S.-Japan subcommittee meeting on food safety was held, at the invitation of Japan's Ministry of Health and Welfare, in Tokyo on December 4. The subcommittee was proposed at the 1990 Trade Committee Meeting as a forum for trade-related issues concerning food safety, including food additives and post-harvest chemicals used in food and feed imported into Japan. At the meeting, the U.S. Food and Drug Administration's additive approval process was described with emphasis on its transparency and openness. The GOJ expressed its intention to begin reviewing its overall food additive approval process in the early months of 1991. At the next meeting, to take place in Washington in the late spring, the agenda is to include follow-up to any revisions of the food additive approval process, discussion on pesticide residues, and the concept of pre-approval of foreign food manufacturing plants.

### **Gorbachev Outlines Agricultural Needs**

In a speech to the Supreme Soviet, Gorbachev announced that the Soviet Union intended to import some 2.1 billion rubles worth of agricultural commodities. Leading the list of commodities to be purchased was 10 million tons of grains, 110,000 tons of other grain products (possibly rice), 1.9 million tons of sugar, 227,000 tons of vegetable oil, 357,000 tons of meat, and 4.5 million tons of dairy products. Gorbachev stated that the decision was made in order to maintain or slightly increase the consumption of these goods. Purchases are expected in the first quarter of 1991.

### **Materials Available**

- *Export Enhancement Program (Revised November 1990)*
- *U.S./Soviet Grain Trade (November 26, 1990)*
- *Trade Policies and Market Opportunities for U.S. Farm Exports - 1989 Annual Report*

*Trade Policy Updates are prepared monthly by the Trade Assistance and Planning Office, International Trade Policy, Foreign Agricultural Service, U.S. Department of Agriculture. Requests for copies of Fact Sheets and reports listed above may be sent to the Trade Assistance and Planning Office, 3101 Park Center Drive, Suite 1103, Alexandria, VA 22302. Tel: (703) 756-6001. FAX (703) 756-6124.*

# Market Updates

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## **Pakistan Liberalizes Vegetable Oil Imports**

The Government of Pakistan (GOP) liberalized imports of soybean oil and palm oil effective December 4. Among the steps taken, the private sector will now be allowed to import soybean oil, thereby breaking the monopoly previously held by the Trading Corporation of Pakistan (TCP). The tariff on soybean oil of Rs.3,000 (US\$137.49) per metric ton was eliminated, while the regulatory duty on palm oil was reduced from Rs.5,780/MT (US\$264.89) to Rs.5,000/MT (US\$229.15). This shift in policy was apparently prompted by the rapid depletion of soybean oil stocks held by TCP caused by the delay in the provision of U.S. trade financing. The GOP has also been under pressure to reduce costs related to maintaining the price competitiveness of soybean oil imported under food aid compared to the relatively cheaper imported palm oil.

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## **USDA Authorizes \$800 Million in GSM Credit Guarantees to Turkey, Sri Lanka, Argentina, El Salvador, And Algeria**

On November 30, 1990, USDA authorized \$10 million in credit guarantees to U.S. exporters for sales to Turkey under the GSM-102 program. The \$10 million in coverage is available for sales of feed grains (corn, barley, sorghum, and oats).

On December 4, 1990, USDA authorized GSM-103 guarantees to Sri Lanka and Argentina, and reallocated a GSM-102 credit guarantee to El Salvador. The authorization to Sri Lanka was for \$50 million in GSM-103 credit guarantees, available to U.S. exporters for sales of U.S. wheat and wheat flour. Argentina was authorized \$2 million in coverage, available for the sales of U.S. breeding livestock (cattle, swine, sheep, goats, horses, including embryos, embryo transplants, and semen). Also available for sales is U.S. poultry breeding stock (breeder chicks and/or hatching eggs). The \$3-million reallocation of GSM-102 credit to El Salvador establishes a line of credit for wheat and reduces the protein meals credit line from \$12 million to \$9 million.

On December 7, 1990, USDA authorized \$800 million in GSM credit guarantees to Algeria with \$675 million for GSM-102 and \$125 million for GSM-103. Commodities available for coverage under the GSM-102 authorization included \$185 million for wheat, \$130 million for feed grains, and \$110 million for protein meals. Other commodities covered under the GSM-102 authorization included solid wood products, wood pulp, cotton, pulses, vegetable oils, hides and skins, tallow, planting seeds, rice, yeast, and leather. The \$125 million in GSM-103 is available to U.S. exporters for sales of \$40 million wheat, \$50 million of feed grains, \$10 million of poultry stock, \$5 million of breeding livestock, and \$20 million undesignated.

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## **USDA Accepts SOAP Bid For Sunflowerseed Oil To Egypt and Algeria**

On December 10, 1990, USDA announced that a bid under the Sunflowerseed Oil Assistance Program (SOAP) had been accepted for 12,000 tons of sunflowerseed oil to Egypt. The bonus of 430 pounds per ton was awarded to Cargill, Incorporated and will be paid in the form of U.S. sunflowerseed oil. This action leaves Egypt with a remaining SOAP balance of 13,700 tons.

On December 6, 1990, USDA accepted a bid for 12,000 tons of sunflowerseed oil to Algeria under the Sunflowerseed Oil Assistance Program (SOAP). Algeria's remaining SOAP balance stands at 9,000 tons.

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## **Mexican Company Purchases Butteroil**

On December 6, 1990, USDA announced a butteroil sale to Mexico's Grupo Proquim. The sale consisted of 200 tons of butteroil.

## **Solid Wood Exports Headed For New High**

The current trade surplus for wood products for the first three quarters of 1990 has reached \$860 million, an increase of 180 percent as compared to the same period 1989.

## ...Market Updates

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If this trend continues, the trade surplus in fiscal 1990 could reach a new high of \$1.2 billion, an increase of \$800 million over fiscal 1989. Exports in the first three quarters rose 7 percent over last year's equivalent period to \$4.95 billion while imports dropped 5 percent to \$4.05 billion. There was a large increase in exports to Canada due partly to a new method of reporting. Exports to most top markets increased except to Japan, China, Taiwan, and Iraq. The trade deficits for softwood lumber and miscellaneous wood products have decreased by 17 and 14 percent, respectively. Meanwhile, the trade surplus for softwood plywood and hardwood lumber increased by 32 and 35 percent, respectively. Other commodity increases included: hardwood lumber (35 percent), hardwood logs (10 percent) and wood chips (10 percent).

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### **Tunisia and Costa Rica Buy Under P.L. 480 Title I**

On November 30, 1990, Tunisia purchased 121,500 tons of U.S. commodities under P.L. 480 Title I. The purchase included 53,000 tons of #3 hard amber durum wheat and 68,500 tons of #3 yellow corn.

On December 4, 1990, Costa Rica purchased 80,00 tons of commodities under P.L. 480 Title I. The 80,000 tons purchase was for northern spring/dark northern spring wheat.

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### **PRC Vegetable Oil Import Duty Increases**

The People's Republic of China announced increases of vegetable oil import duties to take place November 20, 1990. Import tariffs will increase for soybean, peanut, sesame, rapeseed, palm, palm kernel, and coconut oils. Linseed oil import tariffs will decrease. Reasons for the increase appear to be an attempt to generate revenue, stimulate domestic production and processing, and reduce a growing dependence on imported vegetable oils.

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### **Australia To Extend Insured Export Credits To the USSR for Wool and Meat**

According to the U.S. Agricultural Counselor in Canberra, the Australian Minister for Primary Industry and Energy, Mr. Kerin, was to announce an aid package during his visit to Moscow last week. The aid package is said to include A\$400 million in insured export credits, aimed primarily at wool and, to a lesser extent, meat. Recently, wool prices in Australia have been depressed almost to the support level of about A\$8.00 per kilogram. The credit amount will be provided by the Export Finance Insurance Corporation, on a 240-day roll-over basis. The provision of funding for wool purchases will be subject to the clearance of existing Soviet debt to Australian wool exporters, which is said to be currently worth A\$84 million.

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### **Meat Imports Exceed Forecast**

U.S. Customs data show that total imports of meat subject to the Meat Import Law--1,176 million pounds as of November 24--are running 17 percent ahead of last year's rate. Australia leads the pack, with its exports 45 percent ahead of 1989's rate. In contrast, imports from New Zealand are down 15 percent. Imports from other countries have increased 25 percent. Total imports likely will be slightly below the 1990 trigger level of 1,366 million pounds. U.S. demand for imported manufacturing-quality beef has continued to be strong as U.S. total red meat production is down almost 2 percent from 1989.

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### **USDA Increases the Credits for Mexico**

On November 26, 1990, USDA announced an increase in the amount of operational credit guarantees for Mexico of \$562 million. USDA authorized \$1,225 million for Mexico with an initial operational tranche of \$613 million. Total fiscal year 1991 opera-



## ...Market Updates

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tional credits for Mexico now available to U.S. exporters are \$1,175 million. Total fiscal 1991 Credit Guarantees currently stand at \$3.323 billion for GSM-102 and \$184 million for GSM-103.

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### **U.S. Exports to Mexico To Rise Slightly**

U.S. exports to Mexico are expected to increase from \$2.7 billion to \$2.9 billion in fiscal 1991 due to lower domestic wheat and soybean production, and stronger economic growth in Mexico. Mexico is expected to import more wheat, given the lower-than-anticipated wheat production. On the other hand, corn and sorghum imports from the United States are expected to weaken. Soybean imports are expected to rebound substantially because of a lack of irrigation water, and the implementation of the newly defined price and production policy. U.S. high-value added product exports have risen sharply recently after the reduction of import licensing requirements and are expected to increase at a moderate pace particularly prepared vegetables, beer, and chocolates.

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### **No Change Seen In U.S. Sales To Japan and the EC in Fiscal 1991**

U.S. agricultural exports to Japan are expected to remain about the same in fiscal 1991, at a near-record \$8.1 billion. Although in its longest post-WWII expansionary period, Japan's economic outlook is clouded by higher crude oil prices, higher interest rates, and declining asset values. Higher interest rates could dampen the capital spending that has propelled the current economic boom. Personal consumption remains strong, but the stock market's slide has reduced optimism about the Japanese economy's ability to weather oil price rises.

Offsetting gains and losses mean no change is expected in the value of U.S. agricultural exports to the EC in fiscal 1991. Exports rose nearly \$300 million to \$6.8 billion in fiscal 1990. In 1991 lower cotton and meat exports are expected to offset gains in horticultural and other high-value products.

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### **A \$1 Billion Decline Is Expected in U.S. Agricultural Exports To the USSR**

A \$1-billion decline in U.S. agricultural exports to the Soviet Union is expected in 1991, because of reduced shipments of grain. The USSR remained one of the top buyers of U.S. agricultural exports in 1990, with purchases only 10 percent below 1989's record \$3.3 billion. New large sales of poultry and butter helped to offset a decline in grain and oilseed exports. In 1991, however, lower grain exports could cut the value of U.S. agricultural exports to the USSR by about one-third. Large sales of cigarettes will help offset some of this decline, and U.S. exports of soybean meal are expected to rise. However, manufactured tobacco products are not considered agricultural goods, so the increase will be recorded in nonagricultural exports.

*For more information , contact Emiko Miyasaka, (202) 382-9054*

# U.S. Agricultural Exports by Major Commodity Group

## Monthly & Annual Performance Indicators Including Fiscal 1991 Forecasts

	October			Fiscal Year		
	1989	1990		1990	1991(f)	
	--Bil.\$--		Change		--Bil.\$--	Change
Grains & feeds 1/	1.321	1.048	-21%	16.019	13.8	-14%
Wheat	0.395	0.268	-32%	4.224	3.1	-27%
Wheat flour	0.017	0.013	-21%	0.202	0.2	-1%
Rice	0.092	0.085	-8%	0.830	0.8	-4%
Feed grains 2/	0.587	0.382	-35%	7.962	6.9	-13%
Corn	0.482	0.301	-37%	6.929	6.0	-13%
Feeds & fodders	0.145	0.168	16%	1.812	NA	NA
Oilseeds & products	0.628	0.362	-42%	6.253	6.2	-1%
Soybeans	0.452	0.194	-57%	3.939	3.9	-1%
Soybean meal	0.056	0.057	2%	0.990	1.1	11%
Soybean oil	0.024	0.024	1%	0.339	0.3	-12%
Other vegetable oils	0.038	0.034	-12%	0.394	NA	NA
Livestock products	0.467	0.525	12%	5.418	5.5	2%
Red meats	0.184	0.203	10%	2.181	NA	NA
Animal fats	0.049	0.022	-55%	0.468	NA	NA
Poultry products	0.062	0.093	50%	0.856	0.9	5%
Poultry meat	0.042	0.068	62%	0.624	NA	NA
Dairy products	0.029	0.020	-31%	0.342	0.5	46%
Horticultural products	0.432	0.587	36%	5.154	5.5	7%
Unmanufactured tobacco	0.106	0.106	0%	1.373	1.4	2%
Cotton & linters	0.177	0.138	-22%	2.719	2.7	-1%
Planting seeds	0.039	0.045	16%	0.580	0.6	3%
Sugar & tropical products	0.124	0.153	24%	1.401	1.4	0%
Total ag. export value	3.386	3.079	-9%	40.118	38.5	-4%

	--MMT--		Change	--MMT--		Change
Grains & feeds 1/	9.245	7.403	-20%	113.555	NA	NA
Wheat	2.435	2.272	-7%	28.095	27.5	-2%
Wheat flour	0.066	0.067	2%	0.880	1.2	36%
Rice	0.279	0.284	2%	2.502	2.4	-4%
Feed grains 2/	5.416	3.503	-35%	69.031	59.8	-13%
Corn	4.436	2.743	-38%	59.878	51.8	-13%
Feeds & fodders	0.914	1.037	13%	11.065	11.9	8%
Oilseeds & products	2.461	1.248	-49%	24.046	NA	NA
Soybeans	2.014	0.810	-60%	17.217	16.6	-4%
Soybean meal	0.240	0.262	9%	4.558	5.0	10%
Soybean oil	0.053	0.039	-26%	0.614	0.6	-2%
Other vegetable oils	0.066	0.046	-30%	0.618	NA	NA
Livestock products 3/	0.236	0.161	-32%	2.381	NA	NA
Red meats	0.072	0.059	-18%	0.676	0.7	4%
Animal fats	0.133	0.068	-49%	1.270	1.2	-6%
Poultry products 3/	0.037	0.063	70%	0.564	NA	NA
Poultry meat	0.037	0.063	70%	0.560	0.6	7%
Dairy products 3/	0.018	0.013	-28%	0.214	NA	NA
Horticultural products 3/	0.379	0.498	31%	4.565	5.0	10%
Unmanufactured tobacco	0.018	0.015	-17%	0.220	0.2	-9%
Cotton & linters	0.116	0.083	-28%	1.703	1.6	-6%
Planting seeds	0.043	0.031	-28%	0.578	NA	NA
Sugar & tropical products 3/	0.106	0.088	-17%	0.921	NA	NA
Total ag. export volume 3/	12.635	9.604	-24%	148.749	139.5	-6%

NA = Not available.

1/ Includes pulses, corn gluten feed, and meal.

2/ Includes corn, oats, barley, rye, and sorghum.

3/ Includes only those items measured in metric tons.

Note--1991 forecasts are taken from "Outlook for U.S. Agricultural Exports", Nov. 27, 1990.

# Weekly Quotations for Selected International Prices 1/

Dollars per metric ton	Week of 12/18/90	Month ago	Year ago
<i>Wheat (c.i.f. Rotterdam) 2/</i>			
Canadian No. 1 CWRS 13.5%	148	148	201
U.S. No. 2 DNS 14 %	NQ	133	191
U.S. No. 2 SRW	132	127	191
U.S. No. 3 HAD	148	153	183
Canadian No. 1 durum	153	157	193
<i>Feed Grains (c.i.f. Rotterdam) 2/</i>			
U.S. No. 3 yellow corn	123	116	132
<i>Soybeans and Meal (c.i.f. Rotterdam) 2/</i>			
U.S. No. 2 yellow soybeans	242	233	253
U.S. 44 % soybean meal	NQ	NQ	224
Brazil 48 % soy pellets	210	200	221
<i>U.S. Farm Prices 3/ 4/</i>			
Wheat	89	87	141
Barley	73	79	85
Corn	86	85	87
Sorghum	84	78	81
Broiler 5/	1,114	1,062	1,083
Soybeans 6/	214	209	213
<i>EC Import Levies</i>			
Common wheat	122	121	90
Durum wheat	145	141	130
Barley	109	107	87
Corn	102	103	94
Sorghum	107	105	100
Broilers	179	246	246
<i>EC Intervention Prices 7/</i>			
Premium Wheat	126	124	135
Common Wheat	124	122	133
Feed Wheat	118	115	126
Maize	124	122	133
Barley	118	115	126
Sorghum	NA	NA	126
Broilers	NA	NA	867
<i>EC Export Restitution (subsidies)8/</i>			
Common wheat	83	81	57
Barley	74	NA	70
Broilers	NA	245	270

NQ = No quote. NA = Not available. Note: Changes in dollar value of EC import levies, intervention prices, and export restitutions may be the result of changes in \$/ECU exchange rates.

1/ Mid-week quote. 2/ Asking price in dollars for imported grain and soybeans and soybean products, c.i.f. Rotterdam for nearby delivery. 3/ Five-day moving average. 4/ Target price for current marketing year in \$/metric ton: wheat, \$151; barley, \$112; corn, \$112; sorghum, \$106; soybean loan rate, \$166. 5/ Composite 12-city weighted average price for trucklot sales to be delivered to first receiver. 6/ Central Illinois processors bid to arrive. 7/ Buy-in equals 94% of intervention price plus full value of monthly increments. 8/ Figures represent restitutions awarded nearest to the listed dates, \* denotes no award given since the previous month.

Note: The EC intervention prices, which are usually included in this table, will resume in November when the EC begins buying-in.



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